

Message Text

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ACTION EUR-12

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FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC PRIORITY 9599

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DEPARTMENT PASS CHAIRMAN MARIO BIAGGI AND ALL MEMBERS HOUSE COAST
GUARD AND NAVIGATION SUB COMMITTEE, SENATORS HUMPHREY, RUSSELL
LONG AND BOB GRIFFIN FROM AMBASSADOR AUSTAD.

E.O. 11652: N/A

TAGS: PFOR, FI

SUBJECT US PURCHASE OF FINNISH ICEBREAKERS

1. I SHOULD LIKE TO EXPRESS TO YOU, MR. CHAIRMAN, AND TO THE MEMBERS
OF COMMITTEE MY SINCERE APPRECIATION FOR THIS OPPORTUNITY TO
COMMENT ON NEED FOR US PROCUREMENT OF FINNISH ICEBREAKERS. BECAUSE
OF ITS IMPORTANCE TO THE U.S., TO COURAGEOUS FINLAND AND TO FINNISH-
AMERICAN RELATIONS, I DEEPLY REGRET THAT I AM UNABLE TO PRESENT
MY THOUGHTS ON THIS ISSUE BEFORE YOU IN PERSON. DUE TO OBSTACLES OF
DISTANCE AND TIME DEMANDS, I AM RESPECTFULLY REQUESTING YOUR CARE-
FUL CONSIDERATION OF THIS CASE THROUGH THIS MEMORANDUM. I BELIEVE
THERE ARE FEW MORE VITAL PROBLEMS FACING YOUR COMMITTEE THAN THE
ONE TO WHICH I HEREBY MAKE REFERENCE.

2. I FIRST BECAME INTERESTED IN THIS MATTER SHORTLY BEFORE I
WAS CONFIRMED AS US AMBASSADOR TO FINLAND. I WAS AMAZED WHEN TOLD
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THAT DUE TO WINTER ICE CONDITIONS ON THE GREAT LAKES, PRACTICALLY

THE ENTIRE INDUSTRIAL MID-WEST OPERATES ON A NINE-MONTH BASIS.

I WAS TOLD THAT EVEN IF THE ICE FAILS TO DEVELOP, INDUSTRY OF
NECESSITY

ANTICIPATES WORST-CASE ICE CONDITIONS AND, AS A RESULT, OPERATES
APPROXIMATELY ONLY THREE-FOURTHS OF THE YEAR. (STRANGELY ENOUGH,
ICE CONDITIONS IN FINLAND ARE SIMILAR TO THOSE OF THE GREAT
LAKES. IF FINLAND HAD THE SAME ATTITUDE TOWARDS THIS PROBLEM AS
OUR COUNTRY APPEARS TO HAVE, SHE COULDN'T SURVIVE.) WHEN I WAS
IN HIGH SCHOOL, I WELL REMEMBER BEING TAUGHT THAT RUSSIAN FOREIGN S
POLICY WAS TIED TO THE NEED SHE HAD FOR ICE-FREE PORTS. THAT PROBLEM I
S NOW MOOT FOR

THE RUSSIANS INASMUCH AS FINLAND HAS BUILT FIFTEEN ICEBREAKERS FOR
THEM WHICH HAS FREED THE SOVIET UNION OF THIS PROBLEM. EVERY OTHER
NATION IN THE WORLD SEEKING ICEBREAKERS, MOST RECENTLY ARGENTINA,
TURNS TO FINLAND.

3. I HAVE BEEN INFORMED THAT THE ANNUAL PROBLEM OF REDUCED IN-
DUSTRIAL PRODUCTION AND INCREASED UNEMPLOYMENT IN THE GREAT LAKES
AREA HAS GONE ON FOR THIRTY-FIVE YEARS. IS THERE ANY DOUBT IN YOUR
MIND THAT IF HIGHWAY 66 WERE ICED UP OR SNOWED UNDER THAT IT WOULD
BE PLOWED OUT? OR, IF THE MISSISSIPPI OR MISSOURI WERE CLOGGED WITH
SILT, THEY WOULD BE IMMEDIATELY CLEARED? THE GREAT LAKES, AMERICA'S
FOURTH COAST, HAS NOT REALLY BEEN ADEQUATELY CARED FOR, IN MY OPINION
.

4. AS YOU WELL KNOW, WE ARE COMMITTED TO SELL FROM 6-8 MILLION TONS
OF GRAIN ANNUALLY TO THE SOVIET UNION ALONE. MORE MILLION ARE
SCHEDULED FOR SHIPMENT TO THE EASTERN BLOC COUNTRIES. DUE TO OUR
ENERGY SHORTAGE, WE ARE TRYING TO CONVERT TO COAL. THE NEED TO SHIP
MILLIONS OF TONS OF COAL FROM THE NORTH CENTRAL AREA OF THE US
MAKES IT IMPERATIVE THAT THE LAKES BE PUT TO USE ON A YEAR-ROUND
BASIS.

5. THE FIRST THOUGHT AN AMERICAN NORMALLY HAS IS "WHY DON'T
WE BUILD ICEBREAKERS OURSELVES TO KEEP THE LAKES CLEARED?"
IN THE FIRST PLACE, ONLY THREE ICEBREAKERS ARE REQUIRED. ACCOR-
DING TO THE BEST ADVICE I CAN GET, TO TOOL-UP A SHIPYARD FOR THE MANU-

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FACTURE OF THESE FEW MACHINES WOULD COST MORE THAN ONE ICEBREAKER
ITSELF. IF THERE WAS A NEED FOR MANY SUCH SHIPS, IT WOULD BE WISE
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FOR THE US TO MAKE THEM. THIS HAS BEEN TRIED -- TWO VERY LARGE
ICEBREAKERS ARE IN THE PROCESS OF BEING FINISHED IN THE SEATTLE
SHIPYARDS OF LOCKHEED COMPANY. THE GENERAL ACCOUNTING OFFICE RECENTLY
REPORTED TO CONGRESS THAT LOCKHEED SHIPS ARE ALREADY \$20 MILLION
OVER THEIR ESTIMATED COST. FOR THE US TO MAKE ICEBREAKERS IS AS
SENSIBLE AS FOR FINNS TO MAKE DC-10S. NO DOUBT THEY COULD
DO IT BUT AT HORRENDOUS COST. (INCIDENTALLY, FINNAIR IN THE LAST
FEW YEARS HAS BEGUN TO CONVERT ITS ENTIRE FLEET TO MCDONNELL-DOUGLAS

AIRCRAFT SUBSTANTIALLY CONTRIBUTING TO THE PRESENT AND OVERWHELMING IMBALANCE IN OUR BILATERAL TRADE. THIS IMBALANCE IN 1975 WAS MORE THAN \$235 MILLION IN OUR FAVOR. FINNS WILL GIVE A FIXED COST AND STIPULATED TIME FOR COMPLETION OF ALL EQUIPMENT NEEDED.

6. IT IS MY UNDERSTANDING THAT THE PRINCIPAL OBJECTIONS TO THE PROCUREMENT OF FINNISH ICEBREAKERS HAVE BEEN EXPRESSED BY LABOR UNIONS AND COAST GUARD. I HAVE REASON TO UNDERSTAND THAT REPRESENTATIVES OF AMERICAN LABOR HAVE RECENTLY INDICATED THAT THEY WOULD NO LONGER OBJECT TO SUCH PROCUREMENT. CURRENTLY, THEREFORE, THE COAST GUARD REMAINS THE MAIN OPPONENT. I AM AWARE THAT THE COAST GUARD HAS RECENTLY RE-STATE ITS SPECIFIC OBJECTIONS. I HAVE TODAY AIRMAILED A LIST OF SUCH OBJECTIONS TO YOU AS WELL AS FINNISH INDUSTRY'S RESPONSE TO THEM. I MOST SINCERELY APPEAL TO YOU TO STUDY THESE PAPERS AS THEY ARE VIAL TO THE ENTIRE SUBJECT.

7. MY CLIENT IS THE US GOVERNMENT. I AM INTERESTED ONLY IN HER ULTIMATE WELFARE. THE DEPARTMENT OF STATE HAS RECENTLY INDICATED THAT THE PROCUREMENT OF FINNISH ICEBREAKERS AT THIS TIME WOULD BE IN ACCORD WITH US POLICY OBJECTIVES IN FINLAND. A DOCUMENT ON THIS HAS ALSO BEEN AIRMAILED TO YOUR COMMITTEE. SENATOR GRIFFIN, CONGRESSMANRUPE, A FORMER COMMANDANT OF THE US COAST GUARD AND MANY OFFICIALS OF VARIOUS GREAT LAKES' DELEGATIONS HAVE BEEN TO FINLAND RECENTLY AND ARE COMPLETELY CONVERTED. PRESIDENT SPENT SOME TIME ABOARD A FINNISH ICEBREAKER LAST SUMMER AND TOLD ME HE WAS GREATLY IMPRESSED. I REFER TO A THIRD ITEM BEING AIRMAILED TODAY-- THE SEAWAY REVIEW MAGAZINE. IT CONTAINS MANY IMPORTANT ITEMS REGARDING THIS MATTER.

8. I HAVE DISCUSSED THE NEED FOR AMERICAN PROCURMENT OF FINNISH LIMITED OFFICIAL USE

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ICEBREAKERS WITH ALL TWELVE US SENATORS FROM THE GREAT LAKES AREA. THEY ARE COMPLETELY IN AGREEMENT. SENATORS HUMPHREY AND GRIFFIN HAVE TAKEN THE LEAD IN THE SENATE.

9. THE POLITICAL AND FOREIGN RELATIONS ASPECT IS THE ONE IN WHICH I AM MOST KEENLY INTERESTED. FINLAND, MAY I REMIND YOUR, IS THE ONLY COUNTRY EVER TO PAY HER WAR DEBT. FINLAND HAS ASKED US FOR NO ADDITIOANL HELP. FINLAND KNOWS FIRST HAND WHAT IT IS TO SIT ON THE SOVIET BORDER AND MAINTAIN HER INDEPENDENCE. THIS LITTLE COUNTRY IS IN DESPERATE FINANCIAL STRAITS AT THE MOMENT. A RECORD TRADE DEFICIT OF \$1.2 BILLION IN 1974 WAS FOLLOWED BY AN EVEN LARGER DEFICIT OF \$2.02 BILLION IN 1974. INFLATION HAS BEEN RUNNING AT AN ANNUAL RATE OF 18 PERCENT OVER THE PAST TWO YEARS. THE PRICE OF IMPORTED SOVIET OIL AND GAS, WHICH HAS QUADRUPLD SINCE 1973 HAS REQUIRED A TEMPORARY RESTRUCTURING OF

FINNISH EXPORTS TO SOVIET BLOC COUNTRIES. THE WEAKER FINLAND IS FINANCIALLY, THE MORE VULNERABLE SHE IS POLITICALLY, I CAN'T TELL YOU HOW LARGE THIS ISSUE IS IN FINLAND WHERE EVERYONE FROM PRESIDENT KEKKONEN, THE PARLIAMENT AND EVEN SCHOOL CHILDREN ARE AWARE OF THE IMPORTANCE OF SELLING ICEBREAKERS TO THE US. THE PSYCHOLOGICAL BOOST THIS WOULD GIVE THE FINNS AND THEIR FINANCIAL AND POLITICAL STABILITY IS IMMEASURABLE.

10. IN CONCLUSION, MR. CHAIRMAN, I WANT TO POINT OUT THAT, IN OUR OWN BEST INTERESTS, THESE ICEBREAKERS COULD NOT HELP BUT STRENGTHEN THE UNITED STATES ECONOMICALLY. AT THE SAME TIME, IT WILL GIVE STRONG ASSISTANCE TO THIS COURAGEOUS COUNTRY WHICH DESERVES OUR ACCOLADES AS WELL AS OUR STRONG MORAL SUPPORT.
AUSTAD

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